

Financial Report

*Advocates for Arts-Based
Education Corporation
d/b/a Lusher Charter School*

June 30, 2012

TABLE OF CONTENTS

Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
New Orleans, Louisiana

June 30, 2012 and 2011

	<u>Page Number</u>
Financial Section	
Independent Auditor's Report	1 - 2
Exhibits	
A - Statement of Financial Position	3
B - Statement of Activities	4
C - Statement of Cash Flows	5
D - Notes to Financial Statements	6 - 17
Special Reports of Certified Public Accountants	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	18 - 19
Independent Auditor's Report on Compliance With Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	20 - 22
Schedule of Expenditures of Federal Awards	23
Notes to Schedule of Expenditures of Federal Awards	24 - 25
Schedule of Findings and Questioned Costs	26 - 30

TABLE OF CONTENTS (Continued)

Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School New Orleans, Louisiana

June 30, 2012 and 2011

	<u>Page Number</u>
Reports By Management	
Schedule of Prior Year Finding and Questioned Costs	31
Management's Corrective Action Plan on Current Year Findings	32 - 33
Schedules Required by State Law (R.S. 24:524 - Performance and Statistical Data) (Unaudited)	
Independent Accountant's Report on Applying Agreed Upon Procedures	34 - 37
Schedules	
1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources	38 - 39
2 - Education Levels of Public School Staff	40
3 - Number and Type of Public Schools	41
4 - Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers	42
5 - Public School Staff Data: Average Salaries	43
6 - Class Size Characteristics	44
7 - Louisiana Educational Assessment Program (LEAP)	45 - 47
8 - Graduation Exit Examination (GEE)	48 - 49
9 - IOWA and iLeap Tests	50 - 54

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees,
Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School,
New Orleans, Louisiana.

We have audited the accompanying statement of financial position of Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School (the "School"), as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the 2011 financial statements and in our report dated September 26, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report, dated December 14, 2012, on our consideration of Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Bougeson Bennett, LLC.

Certified Public Accountants.

New Orleans, Louisiana,
December 14, 2012.

STATEMENT OF FINANCIAL POSITION

Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
 New Orleans, Louisiana

June 30, 2012
 (with comparative totals for 2011)

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash	\$ 9,095,180	\$ 8,439,381
Grants receivable	1,072,357	712,627
Prepaid expenses	78,737	104,110
Investments	4,114,193	4,075,695
Other	110,370	103,460
Property and equipment, net	<u>1,777,566</u>	<u>3,422,550</u>
Total assets	<u>\$ 16,248,403</u>	<u>\$ 16,857,823</u>
LIABILITIES		
Accounts payable	\$ 170,135	\$ 129,939
Accrued expenses	<u>784,838</u>	<u>643,787</u>
Total current liabilities	<u>954,973</u>	<u>773,726</u>
NET ASSETS		
Unrestricted	14,982,057	15,825,942
Temporarily restricted	<u>311,373</u>	<u>258,155</u>
Total net assets	<u>15,293,430</u>	<u>16,084,097</u>
Total liabilities and net assets	<u>\$ 16,248,403</u>	<u>\$ 16,857,823</u>

See notes to financial statements.

STATEMENT OF ACTIVITIES

Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
New Orleans, Louisiana

For the year ended June 30, 2012
(with comparative totals for 2011)

	Unrestricted	Temporarily Restricted	2012 Totals	2011 Totals Only
Revenues and Other Support				
Contributions	\$ 11,020	\$ 151,523	\$ 162,543	\$ 84,408
Grants:				
Federal	626,217		626,217	834,599
State - Minimum Foundation Program	6,810,593		6,810,593	6,236,572
Local - Minimum Foundation Program	7,190,054		7,190,054	6,732,461
Other	78,850		78,850	65,198
Student activity fees	1,238,355		1,238,355	1,208,675
Other revenue	227,863		227,863	273,055
Investment income	49,157		49,157	56,843
Net assets released from restrictions	98,305	(98,305)	-	-
Total revenues and other support	16,330,414	53,218	16,383,632	15,491,811
Expenses				
Administrative fees	253,927		253,927	-
Depreciation	239,825		239,825	375,503
Donation of property to OPSB	1,433,016		1,433,016	-
Employee benefits	2,683,848		2,683,848	2,173,036
Food services	65,648		65,648	49,140
Insurance	163,105		163,105	201,220
Other expenses	739,787		739,787	479,506
Payroll tax expense	169,553		169,553	167,409
Professional services	355,485		355,485	452,884
Rent	161,426		161,426	86,633
Repairs and maintenance	768,505		768,505	715,142
Salaries	9,206,012		9,206,012	8,641,460
Supplies:				
School	679,678		679,678	473,912
Other	33,860		33,860	25,082
Utilities	220,624		220,624	274,512
Total expenses	17,174,299	-	17,174,299	14,115,439
Increase (decrease) in net assets	(843,885)	53,218	(790,667)	1,376,372
Net Assets				
Beginning of year	15,825,942	258,155	16,084,097	14,707,725
End of year	\$ 14,982,057	\$ 311,373	\$ 15,293,430	\$ 16,084,097

See notes to financial statements.

STATEMENT OF CASH FLOWS

Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
 New Orleans, Louisiana

For the year ended June 30, 2012
 (with comparative totals for 2011)

	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (790,667)	\$ 1,376,372
Adjustments to reconcile increase (decrease) in net assets to cash provided by operating activities:		
Depreciation	239,825	375,503
Bad debt expense	175,713	-
Interest on investment in certificate of deposit (rolled over)	(38,498)	(34,394)
Donation of property	1,433,016	-
Loss on disposition of assets	-	3,556
(Increase) decrease in assets:		
Grants receivable	(535,443)	2,537,970
Prepaid expenses	25,373	1,577
Other	(6,910)	(20,000)
Increase in liabilities:		
Accounts payable and accrued expenses	181,247	219,436
Net cash provided by operating activities	<u>683,656</u>	<u>4,460,020</u>
Cash Flows From Investing Activities		
Property and equipment purchases	(27,857)	(350,116)
Purchases of certificates of deposit	<u>-</u>	<u>(1,500,000)</u>
Net cash used in investing activities	<u>(27,857)</u>	<u>(1,850,116)</u>
Net Increase in Cash	655,799	2,609,904
Cash		
Beginning of year	<u>8,439,381</u>	<u>5,829,477</u>
End of year	<u><u>\$ 9,095,180</u></u>	<u><u>8,439,381</u></u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

**Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
New Orleans, Louisiana**

June 30, 2012 and 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization

Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School (the "School"), incorporated on August 24, 2005, is an educational institution organized to improve student learning, to increase learning opportunities for all students, to encourage the use of innovative teaching methods, to be more thoroughly accountable for education results, and to create new professional opportunities for teachers and other school employees.

The Orleans Parish School Board ("OPSB") approved the granting of a charter to the School effective January 1, 2006 for a period ending on December 31, 2011, to operate a Type 3 Charter School, as defined in LA R.S.17:3973(3)(b). On January 18, 2011, the OPSB voted to renew the charter for a period of ten years.

b. Basis of Accounting

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States on the accrual basis of accounting. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

c. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Cash and Cash Equivalents

Cash, which is held in interest bearing accounts, consists of both unrestricted and restricted balances. Unrestricted cash balances represent cash available for general operating purposes. Restricted cash balances consist of amounts credited to the School's bank accounts from donations received from individuals or entities who specified specific use of the contribution.

The School classifies as cash and cash equivalents all highly liquid debt instruments with a maturity of three months or less.

e. Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. The financial statements do not include an estimate for allowance for doubtful accounts. Management believes that all receivables are collectible.

f. Promises To Give

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. For the years ended June 30, 2012 and 2011, the School did not have outstanding unconditional promise to give.

g. Investments

Investments consist of certificates of deposit stated at cost which approximates fair market value.

h. Property, Equipment, and Depreciation

Additions to physical plant and facilities are capitalized in accordance with the Louisiana Accounting and Uniform Governmental Handbook, which requires the School to capitalize equipment purchases with a cost greater than \$5,000. Depreciation is provided utilizing the straight-line method over estimated useful lives of the asset. For the years ended June 30, 2012 and 2011, all purchases of furniture and equipment were for items whose cost was less than \$5,000 and were expensed.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Compensated Absences

All employees accrue ten days of leave each year, of which a maximum of ten days may be carried forward to the following fiscal year. The employee may use the leave days carried forward from the prior year, but will receive no additional compensation. Upon termination, the employee will receive payment for a maximum of twenty days at a per diem rate of \$75. Unused leave over ten days at the end of the fiscal year are paid at the per diem rate. The School accrues leave and related payroll liabilities for all employees who have ten or less leave days at the per diem rate.

j. Contributions and Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Revenues from federal and state grants are recorded when the School has a right to reimbursement under the related grant, generally corresponding to the incurring of grant related costs by the School, or when earned under the terms of the grants.

k. In-Kind Support

The School records the in-kind value of goods and services contributed to support various activities as support and related expenses. In-kind support was \$10 and \$28,496 for years ended June 30, 2012 and 2011, respectively, which included donations of athletic equipment, science instruments, library books, musical instruments and other items.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. Financial Statement Presentation

Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets - Support, revenues, and expenses for the general operation of the School.

Temporarily Restricted Net Assets - Contributions specifically authorized by the grantor or donor to be used for a certain purpose or to benefit a specific accounting period.

Permanently Restricted Net Assets - Contributions subject to donor-imposed restrictions and that are to be held in perpetuity by the School. Generally, the donors of these assets permit the School to use all or part of the income derived from the investment of these contributions.

m. Tax Matters

The School has received a tax-exempt ruling under section 501(c)(3) from the Internal Revenue Service and, accordingly, is not subject to Federal income tax unless the School has unrelated trade or business income.

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. These standards require an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. As of June 30, 2012, the Organization believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years June 30, 2009 and later remain subject to examination by the taxing authorities.

n. Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through December 14, 2012, which is the date the financial statements were available to be issued.

Note 2 - RESTRICTIONS ON ASSETS

Temporarily restricted net assets are restricted by donors for specific programs, purposes, or to assist specific departments of the School. These restrictions are considered to expire when payments for restricted purposes are made. None of the temporarily restricted net assets are time-restricted by donors.

Temporarily restricted net assets as of June 30, 2012 and 2011 are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Property and equipment	\$ 15,230	\$ 15,230
Instructional and other	294,944	241,726
Katrina relief	<u>1,199</u>	<u>1,199</u>
Total temporarily restricted assets	<u>\$ 311,373</u>	<u>\$ 258,155</u>

The School does not have permanently restricted net assets as of June 30, 2012 and 2011.

Note 3 - PROPERTY AND EQUIPMENT

Property and equipment for the years ended June 30, 2012 and 2011 consists of the following:

	<u>2012</u>	<u>2011</u>
Site improvements	\$ 17,695	\$ 1,615,561
Building improvements	1,510,066	1,618,855
Equipment	<u>1,429,736</u>	<u>1,424,397</u>
	2,957,497	4,658,813
Less accumulated depreciation	<u>(1,179,931)</u>	<u>(1,236,263)</u>
Total	<u>\$ 1,777,566</u>	<u>\$ 3,422,550</u>

Depreciation expense for the years ended June 30, 2012 and 2011 totaled \$239,825 and \$375,503, respectively.

Note 4 - LEASES

On August 10, 2010, the School entered into a facility use agreement with the Jewish Community Center ("JCC") whereby JCC granted the School the exclusive use of certain rooms at its facility. The terms of the agreement are for the period from August 6, 2010 through May 24, 2013. Rent expense for the years ended June 30, 2012 and 2011 totaled \$149,787 and \$86,633, respectively. Future rental payments for the period July 1, 2012 through May 24, 2013 total \$148,451.

Note 5 - RETIREMENT PLAN

Substantially all employees of the School participate in the Teachers Retirement System of Louisiana ("TRSL"). This system is a cost sharing, multiple-employer governmental defined benefit plan qualified under Section 401(a) of the Internal Revenue Code. The plan provides retirement benefits as well as disability and survivor benefits to eligible participants. The TRSL issues publicly available financial reports that include financial statements and required supplementary information of the TRSL. That report may be obtained by writing the Teachers' Retirement System of Louisiana, P.O. Box 94123, Baton Rouge, LA 70804-9123.

Participants vest immediately in employee contributions to the plan. Retirement benefits vest after five years of service if the employee reaches age sixty; otherwise, benefits vest after twenty years of service. Benefits are established and amended by state statute. Upon retirement, participants may select from eight retirement payment options.

Participants are required to contribute to the plan 8% of their annual covered payroll; the School was required to contribute 23.70% and 20.20%, respectively, of the annual covered payroll of each participating employee for the years ended June 30, 2012 and 2011. These contribution levels are established by law and set by the Public Retirement Systems Actuarial Committee. For the years ended June 30, 2012 and 2011, School contributions to this plan totaled \$2,136,085 and \$1,594,200, respectively.

The School sponsors deferred compensation plans pursuant to Sections 403(b) and 457(b) and (f) of the Internal Revenue Code for the benefit of its employees. The School's contributions to the 457(b) plans totaled \$16,998 and \$19,869 for the years ended June 30, 2012 and 2011, respectively. These funds are transferred to separate trusts outside the control of the School with the employees as the beneficiary. No contributions were made by the School to the 403(b) plan for either year.

Note 6 - GRANTS

The United States Department of Education passed through a grant to Orleans Parish School Board, which was awarded to the School as a subrecipient, to provide funding to improve education in areas affected by Hurricanes Katrina, Ike or Gustav through such activities as replacing instructional materials and equipment, paying teacher incentives; constructing, modernizing or renovating school buildings, and supporting after-school or extended learning time activities. For the years ended June 30, 2012 and 2011, the School recognized revenue under this grant of \$367,273 and \$295,648, respectively.

The United States Department of Education passed through a grant to Orleans Parish School Board, which was awarded to the School as a subrecipient, to increase academic achievement through strategies such as improving teacher and principal quality and increase the number of highly qualified teachers, principals, and assistant principals. The grant funds must be used to assist schools in effectively recruiting and retaining highly qualified teachers, to make available professional development activities that address subject matter knowledge, and other activities. For the years ended June 30, 2012 and 2011, the School recognized revenue under this grant of \$92,409 and \$102,693, respectively.

The United States Department of Education passed through a grant to Orleans Parish School Board, which was awarded to the School as a subrecipient, to assist meeting the costs of providing special education and related services to children with disabilities. The grant funds must be used to provide special education and related services to eligible children. For the years ended June 30, 2012 and 2011, the School recognized revenue under this grant of \$71,695 and \$100,024, respectively.

The United States Department of Education passed through a grant to Orleans Parish School Board, which was awarded to the School as a subrecipient, to provide funding to help recruit, retain, and compensate educators who commit to work for at least three years in an area in which a major disaster area was declared as a result of Hurricane Katrina or Hurricane Rita. For the years ended June 30, 2012 and 2011, the School recognized revenue under this grant of \$94,727 and \$60,620, respectively.

The United States Department of Education passed through a grant to Orleans Parish School Board, which was awarded to the School as a subrecipient, to provide funding for compensation, benefits and other expenses such as support services to retain existing employees, to recall or rehire former employees, and to hire new employees. For the year ended June 30, 2012, the School did not recognize revenue under this grant. The school recognized revenue under this grant of \$271,727 for the year ended June 30, 2011.

Note 6 - GRANTS (Continued)

The United States Department of Education passed through a grant to Orleans Parish School Board, which was awarded to the School as a subrecipient, to provide a disciplined environment conducive to learning by preventing violence in and around the School and strengthen programs that prevent the illegal use of alcohol, tobacco and drugs, and involve parents. The grant funds must be used to convey a clear and consistent message that illegal use of alcohol and other drugs is wrong and harmful. For the year ended June 30, 2012, the School did not recognize revenue under this grant. The school recognized revenue under this grant of \$3,087, for the year ended June 30, 2011.

The United States Department of Education passed through a grant to Orleans Parish School Board, which was awarded to the School as a subrecipient, to ensure that all homeless children and youth have equal access to the same free, appropriate public education available to other children. The grant funds must be used for activities that facilitate the educational success of homeless children and youth such as tutoring summer enrichment programs, the provision of school supplies, and professional development designed to heighten educators' understanding of and sensitivity to the needs of homeless children and youth. For the year ended June 30, 2012, the School did not recognize revenue under this grant. The school recognized revenue under this grant of \$800 for the year ended June 30, 2011.

The Orleans Parish School Board ("OPSB") provides funding for the general use of the School which is determined on an annual basis based on the number of pupils enrolled in the School as of October 1st. Revenues received by OPSB from sales tax revenues, ad valorem taxes, and other sources are allocated to each school based on its enrollment. For the years ended June 30, 2012 and 2011, the School recognized revenue under this grant of \$7,190,054 and \$6,732,461, respectively.

The State of Louisiana provides funding for the general use of the School which is determined on an annual basis based on the number of pupils enrolled in the School as of October 1st. This state-funded per pupil allocation is based on the most recently approved minimum foundation program formula resolution. For the years ended June 30, 2012 and 2011, the School recognized revenue under this grant of \$6,810,593 and \$6,236,572, respectively.

The State of Louisiana provides funding to Orleans Parish School Board, which was awarded to the School as a subrecipient, to provide instructional enhancements for students. For the years ended June 30, 2012 and 2011, the School recognized revenue under this grant of \$63,290 and \$50,382, respectively. These amounts are reported in grants - other on the Statement of Activities.

Note 7 - FAIR VALUE MEASUREMENTS

Fair value concepts are applied in recording investments. A fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. These levels include: Level 1, unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, directly or indirectly observable inputs other than quoted prices for the asset or liability, such as quoted market prices for similar assets or liabilities; and Level 3, unobservable inputs for use when little or no market data exists, therefore, requiring an entity to develop its own assumptions.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The School uses the market approach for valuing its certificates of deposit which are within Level 1 of the fair value hierarchy. This method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Furthermore, while the School believes its valuation method is appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets measured at fair value on a recurring basis as of June 30, 2012 and 2011 are comprised of and determined as follows:

Description	Total Assets Measured At Fair Value	2012 Based on		
		Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 4,114,193	\$ 4,114,193	\$ -	\$ -

Note 7 - FAIR VALUE MEASUREMENTS (Continued)

Description	Total Assets Measured At Fair Value	2011		
		Based on		
		Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 4,075,695	\$ 4,075,695	\$ -	\$ -

As of June 30, 2012 and 2011, there were no assets measured at fair value on a non-recurring basis.

Note 8 - SCHOOL OPERATIONS/LEASEHOLD INTEREST

Effective January 1, 2006, the School entered into an agreement with the Orleans Parish School Board, which allows the School to use the facilities and its contents located at 7315 Willow Street, 5624 Freret Street, 719 S. Carrollton Avenue (no longer utilized by the School), or any other locations as may be approved by the School and OPSB. The agreement was scheduled to expire on December 31, 2011. In June 2011, this agreement was renewed by OPSB for an additional ten years expiring on June 30, 2021.

The School is responsible for all necessary maintenance to ensure that the facilities comply with all state and local health and safety standards and other applicable laws, regulations and rules. If capital improvements are made by the School with non-public funds to any site which it operates and the charter contract is revoked or terminated, the School will be reimbursed for the fair market value of such capital improvements. Assets purchased with public funds or obtained from public sources will automatically revert to the Orleans Parish School Board at the time this agreement is terminated. The School must maintain records of any assets acquired with private funds that will remain the property of the School.

Use of the property is not recorded as an in-kind contribution from the Orleans Parish School Board and related rent expense. The value of the use of the land and building is not readily determinable. The agreement is classified as an exchange transaction because both parties receive significant value from this arrangement. Accordingly, the present value of the benefit to be received in future years has not been recorded.

Note 9 - FUNCTIONAL ALLOCATION OF EXPENSES

Expenses have been reported on the Statement of Activities by natural classification. To present expenses by functional classifications, expenses are charged to program services and supporting services (management and general expense and fundraising expense) based on management's estimate of periodic time and expense evaluations. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

Total expenses for the years ended June 30, 2012 and 2011 are allocated as follows:

	<u>2012</u>	<u>2011</u>
Program Services	\$ 16,365,617	\$ 13,315,860
Supporting Services:		
Management and general	714,498	726,052
Fundraising	<u>94,184</u>	<u>73,527</u>
Total expenses	<u>\$ 17,174,299</u>	<u>\$ 14,115,439</u>

Note 10 - COMMITMENTS

The School has employment contracts as is standard in the field of education with most of its employees and which expire June 30, 2013. Additionally, the School has an employment contract with one employee through June 30, 2015. All contracts provide for a minimum annual salary and other benefits. As of June 30, 2012, the total commitment was approximately \$696,577 for salary and \$69,658 for contributions to the deferred compensation plan.

On August 1, 2007, the School entered into a contract for athletic training and physical therapy services with hours not to exceed thirty hours per week. Aggregate monthly payments under this contract approximate \$2,000 for 10 consecutive months, commencing on September 1, of each applicable year. The agreement was scheduled to expire on July 31, 2012. In March 2012, this agreement was extended for an additional five years expiring on July 31, 2017.

On January 11, 2010, the School entered into a contract for custodial services. Aggregate monthly payments are \$22,121 with a potential annual inflation adjustment each July 1st. The potential adjustment is based on a percentage equal to the Consumer Price Index, National Average, averaged for the prior twelve month period. The contractor has not yet invoked the price increase. The contract expires in January 2013.

Note 11 - RISK MANAGEMENT

The School is exposed to various risks of loss from torts, theft and damage to assets, business interruption, errors and omissions, employee injuries and illnesses, natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the years ended June 30, 2012 and 2011.

Note 12 - CONCENTRATIONS OF RISK

The School received a substantial amount of its revenue through grants awarded by the federal, state, and local governments for the years ended June 30, 2012 and 2011 which totaled approximately \$14,705,000 and \$13,868,000, respectively, or 90% of total revenue for each fiscal year.

All of the students and employees of the School live in the Greater New Orleans area.

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School has a written policy for custodial credit risk. As of June 30, 2012, the School's bank balances were approximately \$13,348,000. Balances insured by the Federal Deposit Insurance Corporation, which covers up to \$250,000 per financial institution for interest bearing accounts, and the entire balance for noninterest bearing accounts totaled \$292,000 for interest bearing accounts and \$1,661,000 for noninterest bearing. The remaining deposits of \$11,395,000 were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School's name.

As of June 30, 2012, cash and certificates of deposit were adequately collateralized by securities held by unaffiliated banks for the account of the School. The FASB ASC, which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities subject to custodial credit risk. Even though the pledged securities are considered subject to custodial credit risk under the provisions of FASB ASC 825, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees,
Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School,
New Orleans, Louisiana.

We have audited the financial statements of Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School (the "School"), as of and for the year ended June 30, 2012, and have issued our report thereon, dated December 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 12-01, 12-02 and 12-03 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Questioned Costs as item 12-04.

The School's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School's response and, accordingly, we express no opinion on the responses.

This report is intended solely for the information of the Board of Trustees, management, the State of Louisiana, and the Legislative Auditor for the State of Louisiana, federal awarding agencies, and pass-through-entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bouges & Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
December 14, 2012.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees,
Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School,
New Orleans, Louisiana.

Compliance

We have audited Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School's (the "School"), compliance with types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2012. The School's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the requirements referred to above that are could have a direct and material effect on each of the School's major federal programs for the year then ended June 30, 2012.

Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 12-01, 12-02 and 12-03 to be material weaknesses.

The School's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School's response and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Trustees, management, the Legislative Auditor for the State of Louisiana, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bouges & Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
December 14, 2012.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Advocates for Arts-Based Education Corporation
d/b/a d/b/a Lusher Charter School
New Orleans, Louisiana

For the year ended June 30, 2012

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
United States Department of Education:		
<u>Pass-Through Program From:</u>		
<u>Louisiana Department of Education</u>		
<u>Orleans Parish School Board</u>		
Equity in Academic Excellence Cooperative	84.215c	\$ 367,273
Improving Teacher Quality State Grants	84.367	95,567
Special Education Grants to States (IDEA Part B)	84.027A	71,695
Hurricane Educator Assistance Program	84.938k	94,727
Total Expenditures of Federal Awards		<u>\$ 629,262</u>

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
New Orleans, Louisiana**

For the year ended June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Advocates for Arts-Based Education Corporation d/b/a Lusher Charter School and is presented on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the School has met the cost reimbursement of funding qualifications for the respective grants. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, the amount presented in the schedule may differ from the amount presented in, or used in the preparation of, the financial statements.

b. Payments to Subrecipients

There were no payments to subrecipients for the year ended June 30, 2012.

Note 2 - FINDINGS OF NONCOMPLIANCE

No federal award findings or questioned costs were reported during the audit of the financial statements for the year ended June 30, 2012.

(Continued)

**Note 3 - RECONCILIATION OF FEDERAL GRANT REVENUE TO EXPENDITURES OF
FEDERAL AWARDS**

Expenditures of Federal awards during the year ended June 30, 2012	\$ 629,262
Expenses incurred during the year ended June 30, 2011 but not billed until 2012	<u>(3,045)</u>
Total federal grant revenue	<u>\$ 626,217</u>

For the year ended June 30, 2011, the School recognized revenue totaling \$3,045 related to expenses incurred during the year ended June 30, 2011 under the Improving Teacher Quality State Grants. Reimbursements for these expenses were not eligible in the year they were incurred. Per the granting agencies instructions, these expenses are included in the current year Schedule of Federal Awards.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
New Orleans, Louisiana

For the year ended June 30, 2012

Section I - Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ yes ☐ no
- Significant deficiency(ies) identified that are not considered to be material weakness? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☒ yes ☐ no

b) Federal Awards

Internal control over major program:

- Material weakness(es) identified? ☒ yes ☐ no
- Significant deficiency(ies) identified that are not considered to be material weakness? ☐ yes ☒ no

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 ☐ yes ☒ no

Section I - Summary of Auditor's Report (Continued)

c) Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.215c	Equity in Academic Excellence Cooperative

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? yes X no

Section II - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements

Internal Control Over Financial Reporting

12-01 Employee Defalcation of Frauds

Criteria - Accounting functions related to the blank check stock should be closely monitored.

Condition - During the year, as a result of established internal control procedures, the Chief Financial Officer discovered that a high ranking employee in the Business Office had stolen and forged signatures on five checks payable to her. The total amount stolen is believed to be \$25,000, and all was recovered from the dismissed employee. As a result, internal controls were further strengthened by the School.

Context - Isolated.

Effect - An employee in the accounting department processed and forged several stolen check.

Cause - Improper safeguarding and monitoring of the blank check stock.

Recommendation - The School should strengthen its internal control procedures to ensure that the blank check stock is secured and closely monitored.

Views of responsible officials of the auditee when there is a disagreement with the findings, to the extent of practical - None

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements**

Internal Control Over Financial Reporting

12-02 Financial Reporting and Accounting

Criteria - Adequate internal controls relating to monitoring the financial condition and operations of the School require that all general ledger accounts be reconciled on a regular basis and all financial activity be recorded on a timely basis.

Condition - The School did not reconcile certain general ledger accounts on a regular basis throughout the year ended June 30, 2012.

Cause - The School did not record certain transactions in the general ledger on a timely basis, which resulted in the misstatements of account balances.

Effect - Without an adequate reconciliation and monitoring process in place, the financial statements could potentially be materially misstated and could result in possible irregularities.

Recommendation - The School should refine internal control procedures to ensure that all general ledger accounts are being reconciled on a monthly basis and that all financial activity is recorded on a timely basis.

Views of responsible officials of the auditee when there is a disagreement with the findings, to the extent of practical - None

12-03 Grants Receivable

Criteria - Adequate internal controls relating to grants receivable require that specific procedures be in place to ensure that receivables are properly recorded and supported, and be properly submitted for reimbursement on a timely basis.

Condition - Internal controls relating to the accounting for grants receivable and revenues were not being followed. The grants receivable accounts required adjustments of an increase of approximately \$407,000 for accruing the proper amounts related to grant reimbursement requests submitted for current year expenses and a decrease of approximately \$243,000 for writing off prior year receivables. In addition, grants reimbursement requests were not submitted to Orleans Parish School Board on a timely basis.

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements (Continued)**

Internal Control Over Financial Reporting (Continued)

12-03 Grant Receivable (Continued)

Cause - The School is not effectively monitoring and reconciling grant receivable balances. In addition, grant reimbursement requests for various eligible grant expenses incurred during the fiscal year ended June 30, 2012 had not been prepared or submitted to Orleans Parish School Board

Effect - The lack of adequate internal controls relating to the grants receivable function and preparation of the grant reimbursements could result in the financial statements being materially misstated and/or unreliable for management's use and lost revenue to the School.

Recommendation - The School should prepare grant reimbursement requests on a timely basis and management should provide oversight of this process and record the grants receivable balance from the reimbursement request forms. The grants receivable account should be reconciled on a monthly basis and the reconciliation should be documented as approved by management.

Views of responsible officials of the auditee when there is disagreement with the finding, to the extent practical. - None.

Compliance and Other Matters

Financial statement finding related to internal controls 12-03 is also considered a finding related to compliance and other matters.

12-04 Timely Submission of Audited Financial Statements

Criteria - The School's charter agreement with Orleans Parish School Board ("OPSB") requires audited financial statements to be completed and submitted to them by September 30th each year.

Condition - The required audited financial statements were not filed on a timely basis with OPSB.

Context - Isolated to the year ended June 30, 2012.

(Continued)

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements (Continued)**

Compliance and Other Matters (Continued)

12-04 Timely Submission of Audited Financial Statements (Continued)

Cause - The School's financial records required significant reconciliations which caused a delay in initiating many audit procedures.

Effect - Not filing timely reports could result in a loss or revocation of the School's charter agreement.

Recommendations - The audited financial statements should be filed on a timely basis with OPSB.

Views of Responsible Officials of the Auditee when there is a Disagreement with Findings, to the Extent Practical - None.

Section III - Federal Award Findings and Questioned Costs

Internal Control / Compliance

Financial statement findings related to internal control 12-1 and 12-02 are also findings related to federal awards internal control.

REPORTS BY MANAGEMENT

**SCHEDULE OF PRIOR YEAR FINDINGS AND
QUESTIONED COSTS**

**Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
New Orleans, Louisiana**

For the year ended June 30, 2012

**Section I - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements**

Internal Control Over Financial Reporting

No material weaknesses were noted during the audit of the financial statements for the year ended June 30, 2011.

No significant deficiencies were noted during the audit of the financial statements for the year ended June 30, 2011.

Compliance and Other Matters

There were no findings reported during the audit for the year ended June 30, 2011 related to compliance and other matters.

Section II - Internal Control And Compliance Material to Federal Awards

No findings or questioned costs were reported during the audit of the financial statements for the year ended June 30, 2011.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2011.

MANAGEMENT'S CORRECTIVE ACTION PLAN
ON CURRENT YEAR FINDINGS

Advocates for Arts-Based Education Corporation
d/b/a Lusher Charter School
New Orleans, Louisiana

For the year ended June 30, 2012

**Section I - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements**

Internal Control Over Financial Reporting

12-01 Employee Defalcation of Frauds

Recommendation - The School should strengthen its internal control procedures to ensure that the blank check stock is secured and closely monitored.

Management's Corrective Action - The existing controls were sufficient to identify the theft by the employee in the normal course of business. As a result of discovery of the fraud, in January 2012, additional procedures were implemented to strengthen controls in this area.

12-02 Financial Reporting and Accounting

Recommendation - The School should refine internal control procedures to ensure that all general ledger accounts are being reconciled on a monthly basis and that all financial activity is recorded on a timely basis.

Management's Corrective Action - Improvements have been made to ensure that all reconciliations are done on a timely basis.

12-03 Grant Receivable

Recommendation - The School should prepare grant reimbursement requests on a timely basis and management should provide oversight of this process and record the grants receivable balance from the reimbursement request forms. The grants receivable account should be reconciled on a monthly basis and the reconciliation should be documented as approved by management.

(Continued)

**Section I - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements (Continued)**

Internal Control Over Financial Reporting (Continued)

12-03 Grant Receivable (Continued)

Management's Corrective Action - Reimbursement requests for expenditures allowable under all grant awards will be prepared and submitted on a timely basis.

Compliance and Other Matters

Financial statement finding related to internal controls 12-03 is also considered a finding related to compliance and other matters.

12-04 Timely Submission of Audited Financial Statements

Recommendations - The audited financial statements should be filed on a timely basis with OPSB..

Management's Corrective Action - The audited financial statements will be filed on a timely basis in the future.

Section II - Internal Control And Compliance Material to Federal Awards

Financial statement findings related to internal control 12-1 and 12-02 are also findings related to federal awards internal control.

Section III - Management Letter

A management letter was issued in connection with the audit for the year ended June 30, 2012.

SCHEDULES REQUIRED BY STATE LAW
(R.S. 24:524 - PERFORMANCE AND STATISTICAL DATA)
(UNAUDITED)

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES

To the Board of Trustees,
Advocates for Arts Based Education Corporation
d/b/a Lusher Charter School
New Orleans, Louisiana.

We have performed the procedures included in the Louisiana Governmental Audit Guide and enumerated below, which were agreed to by the management of Advocates for Arts Based Education Corporation d/b/a Lusher Charter School (the "School") and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data for the year ended June 30, 2012 accompanying the annual financial statements of the School and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education. Management of the School is responsible for its performance and statistical data. Our engagement to perform agreed-upon procedures was conducted in accordance with attestation standards established by the American Institute of Certified Public Accounts. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that were performed are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources
(Schedule 1)

- 1) We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenses were classified correctly and were reported in the proper amounts for each of the categories reported on Schedule 1.

No exceptions were noted.

Education Levels of Public School Staff (Schedule 2)

- 2) We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and to the School's supporting payroll records as of October 1, 2011.

No exceptions were noted.

- 3) We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers" (Schedule 4) to the combined total number of principals and assistant principals per this schedule.

No exceptions were noted.

- 4) We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2011, and as reported on this schedule. We traced a random sample of 25 teachers to the individual's personnel file and determined the individual's education level was properly classified on this schedule.

No exceptions were noted.

Number and Type of Public Schools (Schedule 3)

- 5) We obtained a list of schools by type as reported on Schedule 3. We compared the list to the schools and grade levels as reported on the Title I Grants to Local Educational Agencies (CFDA # 84.010) application.

No exceptions were noted.

Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers (Schedule 4)

- 6) We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2011, and as reported on this schedule. We traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience is properly classified on this schedule.

No exceptions were noted.

Public School Staff Data: Average Salaries (Schedule 5)

- 7) We obtained a list of all classroom teachers including their base salaries, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent which was used to compute average salaries on the schedule. We traced a random sample of 25 teachers' salaries to the individual's personnel file to determine if the individual's salary, extra compensation, and full-time equivalents are properly included on the list.

No exceptions where noted.

- 8) We recalculated the average salaries and full-time equivalents reported in this schedule.

No exceptions were noted.

Class Size Characteristics (Schedule 6)

- 9) We obtained a list of classes by school, school type, and class size as reported on this schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We traced a random sample of 10 classes to the October 1, 2011 roll books for those classes and determined if the class is properly classified on this schedule.

No exceptions were noted.

Louisiana Educational Assessment Program (LEAP) (Schedule 7)

- 10) We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in this schedule by the School.

No exceptions were noted.

Graduation Exit Exam (GEE) (Schedule 8)

- 11) We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in this schedule by the School.

No exceptions were noted.

Iowa and iLeap Tests (Schedule 9)

- 12) We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in this schedule by the School.

No exceptions were noted.

We are not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the School, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
December 14, 2012.

**GENERAL FUND INSTRUCTIONAL AND SUPPORT
EXPENDITURES AND CERTAIN LOCAL REVENUE SOURCES**

**Advocates for Arts Based Education Corporation
d/b/a Lusher Charter School**

For the year ended June 30, 2012
(Unaudited)

General Fund Instructional and Equipment Expenditures

Instructional Expenditures:

Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$ 5,634,510
Other Instructional Staff Salaries	342,144
Instructional Staff Employee Benefits	1,872,290
Purchased Professional and Technical Services	92,102
Instructional Materials and Supplies	561,448
Instructional Equipment	<u>-</u>

Total Teacher and Student Interaction Activities	\$ 8,502,494
--	--------------

Other Instructional Activities	259,309
--------------------------------	---------

Pupil Support Services	784,536
------------------------	---------

Less: Equipment for Pupil Support Services	<u>-</u>
--	----------

Net Pupil Support Services	784,536
----------------------------	---------

Instructional Staff Services	914,355
------------------------------	---------

Less: Equipment for Instructional Staff Services	<u>-</u>
--	----------

Net Instructional Staff Services	914,355
----------------------------------	---------

School Administration	1,767,198
-----------------------	-----------

Less: Equipment for School Administration	<u>-</u>
---	----------

Net School Administration	<u>1,767,198</u>
---------------------------	------------------

Total General Fund Instructional Expenditures	<u>\$ 12,227,892</u>
---	----------------------

Total General Fund Equipment Expenditures	<u><u>\$ -</u></u>
---	--------------------

Schedule 1
(Continued)

Certain Local Revenue Sources

Local Taxation Revenue:

Constitutional Ad Valorem Taxes	\$ -
Renewable Ad Valorem Tax	-
Debt Service Ad Valorem Tax	-
Up to 1% of Collections by the Sheriff on Taxes	-
Other than School Taxes	-
Sales and Use Taxes	-

Total Local Taxation Revenue	\$ -
------------------------------	------

Local Earnings on Investment in Real Property:

Earnings from 16th Section Property	\$ -
Earnings from Other Real Property	-

Total Local Earnings on Investment in Real Property	\$ -
---	------

State Revenue in Lieu of Taxes:

Revenue Sharing - Constitutional Tax	\$ -
Revenue Sharing - Other Taxes	-
Revenue Sharing - Excess Portion	-
Other Revenue in Lieu of Taxes	-

Total State Revenue in Lieu of Taxes	\$ -
--------------------------------------	------

Nonpublic Textbook Revenue	\$ -
----------------------------	------

Nonpublic Transportation Revenue	\$ -
----------------------------------	------

EDUCATION LEVELS OF PUBLIC SCHOOL STAFFAdvocates for Arts Based Education Corporation
d/b/a Lusher Charter SchoolFor the year ended June 30, 2012
(Unaudited)

	Full-time Classroom Teachers				Principals and Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	2	2	-	-	-	-	-	-
Bachelor's Degree	41	38	3	75	-	-	-	-
Master's Degree	56	52	1	25	4	80	-	-
Master's Degree + 30	5	4	-	-	1	20	-	-
Specialist in Education	1	1	-	-	-	-	-	-
Ph. D. or Ed. D.	3	3	-	-	-	-	-	-
Total	108	100	4	100	5	100	-	-

NUMBER AND TYPE OF PUBLIC SCHOOLS**Advocates for Arts Based Education Corporation
d/b/a Lusher Charter School**

For the year ended June 30, 2012
(Unaudited)

<u>Type</u>	<u>Number</u>
Elementary	-
Middle/Jr. High	-
Secondary	-
Combination	<u>1</u>
Total	<u><u>1</u></u>

**EXPERIENCE OF PUBLIC PRINCIPALS, ASSISTANT PRINCIPALS,
AND FULL TIME CLASSROOM TEACHERS**

**Advocates for Arts Based Education Corporation
d/b/a Lusher Charter School**

For the year ended June 30, 2012
(Unaudited)

	<u>0-1 Yr.</u>	<u>2-3 Yrs.</u>	<u>4-10 Yrs.</u>	<u>11-14 Yrs.</u>	<u>15-19 Yrs.</u>	<u>20-24 Yrs.</u>	<u>25+ Yrs.</u>	<u>Total</u>
Principals				1		1	3	5
Classroom Teachers	<u>5</u>	<u>9</u>	<u>51</u>	<u>14</u>	<u>13</u>	<u>10</u>	<u>10</u>	<u>112</u>
Total	<u>5</u>	<u>9</u>	<u>51</u>	<u>15</u>	<u>13</u>	<u>11</u>	<u>13</u>	<u>117</u>

PUBLIC SCHOOL STAFF DATA: AVERAGE SALARIESAdvocates for Arts Based Education Corporation
d/b/a Lusher Charter SchoolFor the year ended June 30, 2012
(Unaudited)

	<u>All Classroom Teachers</u>	<u>Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions</u>
Average Classroom Teachers Salary Including Extra Compensation	<u>\$ 50,676</u>	<u>\$ 50,092</u>
Average Classroom Teachers Salary Excluding Extra Compensation	<u>\$ 47,706</u>	<u>\$ 47,149</u>
Number of Teacher Full-Time Equivalents (FTEs) used in Computation of Average Salaries	<u>114</u>	<u>109</u>

CLASS SIZE CHARACTERISTICSAdvocates for Arts Based Education Corporation
d/b/a Lusher Charter SchoolAs of October 1, 2011
(Unaudited)

School Type	Class Size Range							
	1-20		21-26		27-33		34+	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Elementary	-	-	-	-	-	-	-	-
Elementary Activity Classes	-	-	-	-	-	-	-	-
Middle/Jr. High	-	-	-	-	-	-	-	-
Middle/Jr. High Activity Classes	-	-	-	-	-	-	-	-
High	-	-	-	-	-	-	-	-
High Activity Classes	-	-	-	-	-	-	-	-
Combination	173	77	232	87	11	48	-	-
Combination Activity Classes	52	23	36	13	12	52	1	100
Totals	225	100	268	100	23	100	1	100

LOUISIANA EDUCATIONAL ASSESSMENT PROGRAM (LEAP)**Advocates for Arts Based Education Corporation
d/b/a Lusher Charter School**For the year ended June 30, 2012
(Unaudited)

School Achievement Level Results		English Language Arts					
Students		2012		2011		2010	
		Number	Percent	Number	Percent	Number	Percent
Grade 4							
Advanced		53	46	46	40	31	28
Mastery		43	37	49	43	46	42
Basic		18	16	20	17	30	28
Approaching Basic		1	1	-	-	2	2
Unsatisfactory		-	-	-	-	-	-
Total		115	100	115	100	109	100

School Achievement Level Results		Mathematics					
Students		2012		2011		2010	
		Number	Percent	Number	Percent	Number	Percent
Grade 4							
Advanced		42	36	29	25	28	26
Mastery		52	45	58	50	51	47
Basic		19	17	28	25	29	26
Approaching Basic		2	2	-	-	1	1
Unsatisfactory		-	-	-	-	-	-
Total		115	100	115	100	109	100

School Achievement Level Results		Science					
Students		2012		2011		2010	
		Number	Percent	Number	Percent	Number	Percent
Grade 4							
Advanced		47	41	18	15	20	19
Mastery		50	44	56	49	35	32
Basic		14	12	40	35	46	42
Approaching Basic		4	3	1	1	8	7
Unsatisfactory		-	-	-	-	-	-
Total		115	100	115	100	109	100

School Achievement Level Results		Social Studies					
Students		2012		2011		2010	
		Number	Percent	Number	Percent	Number	Percent
Grade 4							
Advanced		19	17	17	15	14	13
Mastery		67	58	47	41	41	37
Basic		27	23	51	44	51	47
Approaching Basic		2	2	-	-	3	3
Unsatisfactory		-	-	-	-	-	-
Total		115	100	115	100	109	100

School Achievement Level Results		English Language Arts					
Students		2012		2011		2010	
		Number	Percent	Number	Percent	Number	Percent
Grade 8							
Advanced		54	30	61	35	46	30
Mastery		86	48	90	52	61	41
Basic		33	19	18	11	42	28
Approaching Basic		3	2	4	2	1	1
Unsatisfactory		1	1	-	-	-	-
Total		177	100	173	100	150	100

School Achievement Level Results		Mathematics					
Students		2012		2011		2010	
		Number	Percent	Number	Percent	Number	Percent
Grade 8							
Advanced		60	34	63	36	66	44
Mastery		36	20	31	18	30	20
Basic		74	42	78	45	53	35
Approaching Basic		5	3	1	1	1	1
Unsatisfactory		2	1	-	-	-	-
Total		177	100	173	100	150	100

Schedule 7
(Continued)

School Achievement Level Results		Science					
Students		2012		2011		2010	
		Number	Percent	Number	Percent	Number	Percent
Grade 8							
Advanced		54	31	19	11	29	20
Mastery		83	48	93	53	71	47
Basic		32	18	55	32	44	29
Approaching Basic		5	3	5	3	6	4
Unsatisfactory		-	-	1	1	-	-
Total		174	100	173	100	150	100

School Achievement Level Results		Social Studies					
Students		2012		2011		2010	
		Number	Percent	Number	Percent	Number	Percent
Grade 8							
Advanced		51	29	46	27	45	30
Mastery		82	47	82	47	68	45
Basic		41	24	42	24	37	25
Approaching Basic		-	-	3	2	-	-
Unsatisfactory		-	-	-	-	-	-
Total		174	100	173	100	150	100

GRADUATION EXIT EXAMINATION (GEE)**Advocates for Arts Based Education Corporation
d/b/a Lusher Charter School**For the year ended June 30, 2012
(Unaudited)

School Achievement Level Results		English Language Arts					
Students	2012		2011		2010		
	Number	Percent	Number	Percent	Number	Percent	
Grade 10							
Advanced			8	6	8	8	
Mastery			57	46	39	40	
Basic			59	47	47	49	
Approaching Basic			1	1	2	2	
Unsatisfactory			-	-	1	1	
Total	-	-	125	100	97	100	

School Achievement Level Results		Mathematics					
Students		2012		2011		2010	
		Number	Percent	Number	Percent	Number	Percent
Grade 10							
Advanced				46	37	39	40
Mastery				42	34	39	40
Basic				34	27	18	19
Approaching Basic				3	2	1	1
Unsatisfactory					-	-	-
Total		-	-	125	100	97	100

School Achievement Level Results		Science					
Students	2012		2011		2010		
	Number	Percent	Number	Percent	Number	Percent	
Grade 11							
Advanced	24	20	16	16	9	9	
Mastery	50	43	41	41	36	35	
Basic	41	35	37	37	48	46	
Approaching Basic	1	1	6	6	8	8	
Unsatisfactory	1	1	-	-	2	2	
Total	117	100	100	100	103	100	

School Achievement Level Results		Social Studies					
Students	2012		2011		2010		
	Number	Percent	Number	Percent	Number	Percent	
Grade 11							
Advanced	11	9	7	7	4	4	
Mastery	55	47	32	32	28	27	
Basic	50	43	59	59	68	66	
Approaching Basic	-	-	2	2	3	3	
Unsatisfactory	1	1	-	-	-	-	
Total	117	100	100	100	103	100	

IOWA AND iLEAP TESTSAdvocates for Arts Based Education Corporation
d/b/a Lusher Charter SchoolFor the year ended June 30, 2012
(Unaudited)

iLEAP TESTS:

School Achievement Level Results	English Language Arts 2010		Mathematics 2010		Science 2010		Social Studies 2010	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3								
Advanced	37	31	42	35	41	35	35	30
Mastery	52	44	55	47	55	46	51	43
Basic	28	24	20	17	21	18	32	27
Approaching Basic	1	1	1	1	1	1	-	-
Unsatisfactory	-	-	-	-	-	-	-	-
Total	118	100	118	100	118	100	118	100

School Achievement Level Results	English Language Arts 2010		Mathematics 2010		Science 2010		Social Studies 2010	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	33	30	34	30	12	11	20	18
Mastery	41	37	32	29	43	39	41	37
Basic	33	30	44	40	46	41	46	41
Approaching Basic	4	3	1	1	8	7	3	3
Unsatisfactory	-	-	-	-	2	2	1	1
Total	111	100	111	100	111	100	111	100

School Achievement Level Results	English Language Arts 2010		Mathematics 2010		Science 2010		Social Studies 2010	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	39	28	34	24	23	16	82	59
Mastery	62	44	62	44	71	51	38	27
Basic	37	27	43	31	40	29	19	13
Approaching Basic	2	1	1	1	6	4	1	1
Unsatisfactory	-	-	-	-	-	-	-	-
Total	140	100	140	100	140	100	140	100

Schedule 9
(Continued)

School Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2010		2010		2010		2010	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Students								
Grade 7								
Advanced	56	36	75	48	30	19	25	16
Mastery	55	36	46	30	75	49	75	48
Basic	41	26	33	21	40	26	48	31
Approaching Basic	3	2	1	1	8	5	7	5
Unsatisfactory	-	-	-	-	2	1	-	-
Total	155	100	155	100	155	100	155	100

School Achievement Level Results	English Language Arts		Mathematics	
	2010		2010	
	Number	Percent	Number	Percent
Students				
Grade 9				
Advanced	13	11	31	26
Mastery	58	49	37	32
Basic	47	40	50	42
Approaching Basic	-	-	-	-
Unsatisfactory	-	-	-	-
Total	118	100	118	100

School Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2011		2011		2011		2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Students								
Grade 3								
Advanced	37	32	48	41	38	33	29	25
Mastery	55	48	42	37	54	47	55	48
Basic	22	19	24	21	23	20	29	25
Approaching Basic	1	1	1	1	-	-	1	1
Unsatisfactory	-	-	-	-	-	-	1	1
Total	115	100	115	100	115	100	115	100

Schedule 9
(Continued)

School Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2011		2011		2011		2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Students								
Grade 5								
Advanced	33	30	38	35	31	28	23	21
Mastery	54	49	41	37	49	44	51	46
Basic	21	19	29	26	27	25	31	28
Approaching Basic	1	1	2	2	3	3	5	5
Unsatisfactory	1	1	-	-	-	-	-	-
Total	110	100	110	100	110	100	110	100

School Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2011		2011		2011		2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Students								
Grade 6								
Advanced	36	24	57	38	30	20	84	56
Mastery	64	43	42	28	65	44	45	30
Basic	46	30	49	32	50	33	19	13
Approaching Basic	4	3	1	1	3	2	2	1
Unsatisfactory	-	-	1	1	2	1	-	-
Total	150	100	150	100	150	100	150	100

School Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2011		2011		2011		2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Students								
Grade 7								
Advanced	65	44	74	50	28	19	53	35
Mastery	58	39	36	24	68	46	70	47
Basic	24	16	37	25	51	34	25	17
Approaching Basic	2	1	2	1	2	1	1	1
Unsatisfactory	-	-	-	-	-	-	-	-
Total	149	100	149	100	149	100	149	100

Schedule 9
(Continued)

School Achievement Level Results	English Language Arts		Mathematics	
	2011		2011	
	Number	Percent	Number	Percent
Students				
Grade 9				
Advanced				
Mastery				
Basic				
Approaching Basic				
Unsatisfactory				
Total	-	-	-	-

Please note that the grade 9 iLEAP has been dropped by the Department of Education, everything at that level was moved to end of course testing.

School Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2012		2012		2012		2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Students								
Grade 3								
Advanced	39	35	66	59	46	41	11	10
Mastery	60	53	37	33	53	47	79	70
Basic	12	11	9	8	13	12	21	19
Approaching Basic	1	1	-	-	-	-	1	1
Unsatisfactory	-	-	-	-	-	-	-	-
Total	112	100	112	100	112	100	112	100

School Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2012		2012		2012		2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Students								
Grade 5								
Advanced	32	27	45	38	31	26	37	32
Mastery	54	46	45	38	57	49	58	49
Basic	31	27	26	23	28	24	22	19
Approaching Basic	-	-	1	1	1	1	-	-
Unsatisfactory	-	-	-	-	-	-	-	-
Total	117	100	117	100	117	100	117	100

Schedule 9
(Continued)

School Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2012		2012		2012		2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	45	30	85	57	43	29	92	62
Mastery	74	50	48	33	71	48	42	28
Basic	28	19	15	10	31	21	13	9
Approaching Basic	1	1	-	-	3	2	1	1
Unsatisfactory	-	-	-	-	-	-	-	-
Total	148	100	148	100	148	100	148	100

School Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2012		2012		2012		2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7								
Advanced	65	43	83	55	41	27	61	40
Mastery	50	33	36	24	67	44	61	40
Basic	34	23	32	21	39	26	25	17
Approaching Basic	2	1	-	-	4	3	3	2
Unsatisfactory	-	-	-	-	-	-	1	1
Total	151	100	151	100	151	100	151	100

School Achievement Level Results	English Language Arts		Mathematics	
	2012		2012	
	Number	Percent	Number	Percent
Grade 9				
Advanced				
Mastery				
Basic				
Approaching Basic				
Unsatisfactory				
Total	-	-	-	-

Please note that the grade 9 iLEAP has been dropped by the Department of Education, everything at that level was moved to end of course testing.